

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**APPAREL INPUTS IN “SHORT SUPPLY”: CERTAIN FABRICS FOR USE  
IN BLOUSES AND NIGHTWEAR**

Investigation No. 332-428-002

April 2001



# Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

## U.S. International Trade Commission Investigation No. 332-428-002<sup>1</sup>

Products	Blouses and nightwear of certain fabrics
Requesting Party	Esquel Enterprises Limited of Hong Kong and Textiles Industries Limited in Mauritius
Commission Report to: USTR Public	April 16, 2001 April 27, 2001
Commission Contact	Jackie W. Jones (202-205-3466); jones@usitc.gov

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE PRESIDENT ON APRIL 16, 2001. ALL CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH "\*\*\*."

### Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of blouses and nightwear made in eligible sub-Saharan African countries from certain fabrics, regardless of the source of the fabrics, would likely have little adverse effect on U.S. producers of blouses and nightwear and their workers and little or no adverse effect on affected segments of the U.S. fabric and yarn industries or their workers. U.S. consumers would likely benefit from any duty savings resulting from the proposed preferential treatment.

### Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2001 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).<sup>2</sup>

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on March 1, 2001, alleging that certain fabrics for use in blouses and nightwear cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for such apparel articles made in eligible AGOA beneficiary countries from such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Ways and Means and Senate Finance Committees. The report must set forth the action proposed to be proclaimed, the reasons for such action, and the

<sup>1</sup> Commissioner Marcia E. Miller did not participate in this review.

<sup>2</sup> For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation ([www.usitc.gov/332s/shortsup/shortsupintro.htm](http://www.usitc.gov/332s/shortsup/shortsupintro.htm)).

advice obtained from the Commission and the appropriate advisory committee, and must be submitted within 60 days after a request is received from an interested party.<sup>3</sup>

### **Brief discussion of products**

The fabrics named in the petition are classified in the Harmonized Tariff Schedule of the United States (HTS) under a large number of provisions, depending on such factors as the fiber in chief weight, whether the fabric is finished or unfinished, and fabric weight.<sup>4</sup> The fabrics are fine-yarn, high-count shirting fabrics of cotton or manmade fibers and they include different types of weave patterns, such as plain weave, dobby, and oxford construction, and most of them have an average yarn number exceeding 135 metric.<sup>5</sup> The fabrics are for use in the manufacture of women's and girls' blouses and men's, boys', women's, and girls' nightwear, which are classified in HTS chapter 62, which provides for articles of apparel and clothing accessories of textile materials, not knitted or crocheted.<sup>6</sup> The normal trade relations rates of duty on the subject blouses and nightwear range from 7.6 percent to 27.4 percent ad valorem.

The subject fabrics are used primarily in better quality men's dress shirts, for example pinpoint oxford fabrics. The AGOA already authorizes duty-free and quota-free treatment for men's shirts made from these fabrics, regardless of the source of these fabrics.<sup>7</sup> Although data are not available on U.S. imports and production of the blouses and nightwear made from the subject fabrics, it is believed that the domestic market for these apparel articles is relatively small. The blouses generally sell in the upper end of the retail market. \*\*\*.<sup>8</sup> Oxford Industries, a major U.S. producer of men's apparel, stated that the use of the subject fabrics in men's dress shirts has increased in recent years as retail consumers demand higher quality goods at competitive prices.<sup>9</sup>

### **Brief discussion of affected U.S. industries, workers, and consumers**

Dan River Inc., Danville, VA, is believed to be the only domestic producer of fabrics similar to those named in the petition. The firm \*\*\*.<sup>10</sup> Dan River currently produces \*\*\*. Most of the fabrics named in the petition, including those of oxford construction, have an average yarn number exceeding 135 metric. Dan River has a vertically integrated operation to spin fibers into yarn, weave the yarn into fabric, and dye or otherwise finish these materials at different stages of production. The firm has \*\*\*.

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<sup>3</sup> In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

<sup>4</sup> The fabrics are classified in HTS subheadings 5208.21, 5208.22, 5208.29, 5208.31, 5208.32, 5208.39, 5208.41, 5208.42, 5208.49, 5208.51, 5208.52, 5208.59, 5210.21, 5210.31, 5407.81, 5407.82, 5407.83, 5513.11, and 5513.21.

<sup>5</sup> An average yarn number of 135 metric is equal to 80s 2-ply cotton yarn, based on the English cotton count.

<sup>6</sup> The apparel articles are classified in HTS subheadings 6204.22, 6204.23, 6204.29, 6206.30, 6206.40, 6206.90, 6211.42, 6211.43, 6207.21, 6207.22, 6207.91, 6207.92, 6208.21 and 6208.91. The petition also includes HTS subheading 6206.10, women's or girls' blouses of silk. However, the fabrics named in the petition do not include silk fabrics. As such, blouses of silk would not be affected by the short supply determination. Imports of silk apparel, regardless of the source of the silk fabrics, are already duty- and quota-free under the AGOA.

<sup>7</sup> These fabrics used in the production of men's woven shirts are exempt from the yarn-forward rule of origin under the North American Free Trade Agreement (NAFTA). The Trade and Development Act of 2000 includes this exemption in both section 112 (AGOA) and section 211 (CBTPA). See U.S. Department of Customs Service's Textile Bulletin Notice-TBT 02301—which was distributed administratively.

<sup>8</sup> Official of Liz Claiborne, Inc., New York, NY, telephone interview by Commission staff, Mar. 23, 2001.

<sup>9</sup> Official of Oxford Industries, Atlanta, GA, telephone interview by Commission staff, Mar. 23, 2001.

<sup>10</sup> Information in this paragraph on Dan River Inc. is from Jim Martin, President, Apparel Fabrics Division, Dan River Inc., telephone interviews by Commission staff, Mar. 20 and 26, 2001.

According to an industry source, only one U.S. firm produces commercial quantities of yarns with an average yarn number of 135 metric in the United States—Buhler Quality Yarns Corporation, Jefferson, GA.<sup>11</sup> According to Buhler's Internet site, the company has 120 employees.

Oxford Industries, Atlanta, GA, a major U.S. producer of men's and women's apparel, including men's dress shirts of the fabrics named in the petition and of fabrics similar to those named in the petition, \*\*\* shirts are designated as in "short supply" under annex 401 of the NAFTA, and that determination was included by statute for the AGOA and the CBTPA beneficiaries, the shirts made \*\*\* in Mexico and eligible CBTPA countries are eligible to enter the United States free of duty and quota even though they contain third-country (e.g., Asian) fabrics. \*\*\*.

### Views of interested parties

The only written statement submitted to the Commission concerning this review was from Scheck, Rosenblum, Sierra Textiles, Inc., a dyer and finisher of fabrics similar to those in the petition.<sup>12</sup> The submission stated that they import 100-percent cotton shirting fabric of 80s 2-ply construction under HTS subheading 5208.19.8020, because the fabric is in short domestic supply. Their statement emphasized that because of this, they import the fabric from India, Malaysia, and Indonesia, and would like that this fabric be exempt from U.S. duties. (However, the cotton shirting fabrics entering under this HTS subheading are not included in the petition.)

### Probable economic effect advice<sup>13</sup>

The Commission's analysis shows that granting duty-free and quota-free treatment to blouses and nightwear sewn in eligible AGOA beneficiary countries from the specified fabrics, regardless of the source of the fabrics, would likely have little effect on domestic production of and U.S. employees producing the subject apparel. The U.S. markets for blouses and nightwear made from the subject fabrics are believed to be relatively small and supplied largely by imports. To the extent that imports from the eligible countries increase, these imports would likely displace imports from other countries to a greater degree than they would displace U.S. production. U.S. apparel companies tend to produce these items domestically to supply market niches in which quick turnaround is important.

\* \* \* \* \*

The Commission's analysis further shows that the U.S. yarn industry, consisting of one company—Buhler Quality Yarns Corporation—and its employees, would likely experience little or no adverse effect from granting short-supply status to the subject fine-yarn, high-count shirting fabrics. The finest yarns Buhler produces domestically are those with an average yarn number of 135 metric, and most of the subject shirts are made with an average yarn number exceeding 135 metric. \*\*\*.

The final consumers of the blouses and nightwear would likely benefit from the duty- and quota-free treatment of the subject apparel, because the duty and other cost savings resulting from the preferential treatment are likely to be passed on to retail consumers in today's highly competitive apparel retail market. In addition, retail consumers may benefit from having a greater variety of blouses and nightwear.

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<sup>11</sup> Carlos Moore, Executive Vice President, American Textile Manufacturers Institute (ATMI), written statement to CITA, dated Mar. 14, 2001, p. 1, and attachment. Telephone calls by Commission staff to the President of Buhler Quality Yarns were not returned.

<sup>12</sup> Murray Yenig, President, Scheck, Rosenblum, Sierra Textiles, Inc., New York, NY, written submission to the USITC, Apr. 2, 2001.

<sup>13</sup> The advice below is based on information currently available to the Commission.